

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 EA-06 ISO-00 AID-05 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-02 H-02 SSO-00 INRE-00 NSCE-00 /084 W

----- 018740

O R 070808Z APR 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC IMMEDIATE 9202

INFO AMMMBASSY BONN 1615

AMEMBASSY LONDON

AMEMBASSY PARIS

LIMITED OFFICIAL USE TOKYO 4486

E.O. 11652: N/A

TAGS: EAID, EFIN, JA

SUBJ: TRUST FUND

PASS TREASURY

REF: STATE 74977

SUMMARY: GOJ CONTINUES TO OPPOSE IMF TRUST FUND PROPOSAL OR SIMILAR PLANS FOR AIDING MSA'S THAT WOULD CREATE ANY NEW FINANCING INSTITUTIONS. B/P OUTLOOK FOR MSA'S AND OTHER DEVELOPING COUNTRIES IN 1975 AND 1976 IS VIEWED AS SERIOUS IOUT MANAGEABLE THROUGH EXISTING INTERNATIONAL AID AND LENDING FRAMEWORK. END SUMMARY.

1. MOG DIR, OVERSEAS INVESTMENT DIV (SAWANO), GAVE RELATIVELY SANGUINE ASSESSMENT OF B/P OUTLOOK FOR MSA'S AND OTHER LDC'S. HE TOOK NEGATIVE POSITION REGARDING ANY NEW B/P FINANCING ARRANGEMENT FOR THESE COUNTRIES. MOF HAS MADE NO ESTIMATES OF AGGREGATE MSA B/P DEFICIT IN 1975
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AND 1976 BUT REGARDS JAN ESTIMATE BY BANK/FUND AS OUT-OF-DATE

AND TOO HIGH. OFFICIAL ACKNOWLEDGED THESE COUNTRIES HAVE SERIOUS B/P PROBLEM BUT CONSIDERED IT MANAGEABLE. IF ADDITIONAL FINANCIAL SUPPORT IS REQUIRED, MOF PREFERS TO HAVE IT PROVIDED THROUGH EXISTING INSTITUTIONAL ARRANGEMENT.

2. REGARDING CHANNELS OF FINANACING ASSISTANCE, OFFICIAL CONSIDERS IMF OIL FACILITY IS APPROPRIATE VEHICLE FOR B/P AID. POSSIBILITY OF "THIRD WINDOW" WAS NOT RULED OUT. GOJ OBJECTS TO ANY TRUST FUND PROPOSAL ON GROUNDS THAT IT CREATES NEW INSTITUTIONAL ARRANGEMENT, BELIEVING THAT EXISTING ARRANGEMENTS SHOULD BE USED TO MAXIMUM EXTENT POSSIBLE. THAT POSITION REMAINS UNCHANGED SINCE JAN DEV COM MEETING.

3. MOG UNDERSTANDS THAT IMF OIL FACILITY WILL HAVE SDR \$2 BIL LEFT OVER FROM 1974 WHICH CAN BE UTILIZED FOR FINANCIAL SUPPORT IN 1976. MOF ALSO INTERPRETS AGREEMENT AS PROVIDING FOR OIL FACILITY ONLY THROUGH JUNE 1976.

4. COMMENT: SAWANO INCAPABLE OF SEEING PROBLEM STRICTLY IN TERMS OF B/P FINANCING ALTHOUGH QUESTIONS WERE POSED IN THIS CONTEXT. HIS ANSWERS REPEATEDLY STRESSED NEED FOR GREATER FINANCIAL RESOURCES FOR EXISTING DEVELOPMENT INSTITUTIONS (FOR WHICH HE IS RESPONSIBLE). IN MOF THERE IS NO COUNTRY OR REGIONAL DESK TYPE OPERATION TO GIVE BROAD CONSIDERATION TO QUESTIONS POSED IN REFTEL. INTFINBUR ORGANIZED LARGELY ALONG LINES OF CAPITAL FLOWS FOR OPERATIONAL EXCHANGE CONTROL PURPOSES (E.G. IN/OUT, LONG/SHORT, PRIVATE/PUBLIC). MOF HAS NEVER EXPRESSED SERIOUS CONCERN ABOUT MSA'S. FINATT SOMEWHAT SURPRISED AT LACK OF CONCERN REGARDING DEEPENING B/P PROBLEMS OF NEIGHBORING COUNTRIES NOT ON UN LIST BUT IMPORTANT MARKETS FOR JAPAN, LIKE SOUTH KOREA, PHILIPPINES, AND REPUBLIC OF CHINA. MOF MIGHT BECOME MORE INTERESTED IN POSPECTIVE B/P PROBLEM IF MADE MORE AWARE OF ITS SERIOUSNESS. JAPANESE ED'S IN BANK AND FUND ARE GIVEN CONSIDERABLE DISCRETION INFORMULATING GOJ VIEWS ON BOARD MATTERS. MOREOVER, ED'S MAY NOT HAVE ALERTED TOKYO TO SERIOUSNESS WITH WHICH OTHERS CONSIDER PROSLIMITED OFFICIAL USE

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PECTIVE B/P PROBLEM OF MSA'S. EMBASSY WILL SEEK OUT VIEZ OF OTHER DEPARTMENTS REGARDING B/P PROBLEM, SPECIFICALLY MOFA (ECON AFFAIRS BUR) AND BOJ (ASIA DIV, ECON RESEARCH DEPT) AND REPORT SEPTTEL IN ADVANCE OF FORTHCOMING ADB ANNUAL MEETING. SHOESMITH

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Message Attributes

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